

**MEMORANDUM
DEPARTMENT OF FACILITY SERVICES
COUNTY OF PLACER**

To: **BOARD OF SUPERVISORS**

Date: **APRIL 5, 2011**

From: **JD JAMES DURFEE / MARK RIDEOUT** 

Subject: **LEASE AMENDMENT – RECORDS MANAGEMENT WAREHOUSE LEASE**

ACTION REQUESTED / RECOMMENDATION: Adopt a Resolution delegating authority to the Director of Facility Services to complete negotiations and execute Amendment No. 1 to Lease Agreement No. 28063 for 1765 – 1795 Industrial Drive, Auburn, between the County of Placer and Cagle Properties, LLC, a California limited liability corporation, based on the Material Terms attached hereto; and, carry out those provisions and responsibilities as specified within the amended Agreement on behalf of the County including but not limited to the Future Tenant Improvements provision.

BACKGROUND: Since 1997, the Administrative Services Department has operated its records management warehouse at the Kemper Business Park located at 1765-1795 Industrial Drive in Auburn, within space leased from Cagle Properties, LLC (Landlord). On April 3, 2007, your Board approved the current Lease for five-years with two five-year options, to lease the four units that total 8,400 square feet. In an effort to reduce costs, Administrative Services desires to reduce their premises by consolidating its storage into three units.

Property Management negotiated with the Landlord to eliminate a single 2,400 square foot unit reducing the premises to 6,000 square feet. Provisions of the Lease Amendment also include a one-year extension to the initial term, and a restructuring of the options to ten one-year options that can be exercised at the County's discretion. The current rental rate will remain unchanged, but the reduction in premises area creates an annual savings of approximately \$18,720. The monthly rent for the 6,000 square foot space will commence at \$3,900, which includes \$3,480 for rent (\$0.58 per square foot per month) and \$420 for operating expenses (currently \$.07 per square foot per month). The monthly rent component will be fixed throughout the initial term and the first three one-year options, if exercised. Thereafter, rent will be subject to annual adjustment based on the Consumer Price Index.

In order to proceed with the leasing actions necessary to reduce Administrative Services' occupancy and rent, Facility Services requests that your Board direct staff to complete the Lease Amendment and approve the attached Resolution authorizing the Director of Facility Services to execute the Amendment following approval by County Counsel and Risk Management and carry out all terms and conditions of the Lease. This includes authority to allow the Landlord perform minor alterations up to \$9,500 per project and Future Tenant Improvement's up to \$100,000, subject to approval by the Administrative Services, County Counsel, and the County Executive Officer.

ENVIRONMENTAL CLEARANCE: The lease of this facility is Categorically Exempt from review pursuant to Section 15301 of the California Environmental Quality Act. This Section provides for activities, including leasing of existing facilities, when there is no expansion of use beyond that previously existing.

FISCAL IMPACT: Rent and operating expenses for this facility will commence at \$46,800 annually. Funding for this cost is available in the Administrative Services Department 2010/2011 FY Budget.

JD:MR:LM:DB

ATTACHMENT: RESOLUTION
cc: COUNTY EXECUTIVE OFFICE
ADMINISTRATIVE SERVICES

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Before the Board of Supervisors County of Placer, State of California

In the matter of: A RESOLUTION AUTHORIZING THE
DIRECTOR OF FACILITY SERVICES TO NEGOTIATE
AND EXECUTE A LEASE AMENDMENT TO REDUCE
THE PREMISES AND RENT ASSOCIATED WITH
ADMINISTRATIVE SERVICES OCCUPANCY AT
1765-1795 INDUSTRIAL DRIVE IN AUBURN, CA

Resol. No: _____

The following RESOLUTION was duly passed by the Board of Supervisors of the
County of Placer at a regular meeting held _____, 2011 by the following
vote on roll call:

Ayes:

Noes:

Absent:

Signed and approved by me after its passage.

Attest:

Chairman, Board of Supervisors

Clerk of said Board

WHEREAS, since 1997, the County has leased the 8,400 square feet building at
1765-1795 Industrial Drive, in Auburn, CA from Cagle Properties, LLC for the Administrative
Services Department's operation of its records management warehouse; and,

WHEREAS, the County desires to reduce its premises from the current area of 8,400 square
feet to 6,000 square feet through the removal of Unit 5 (2,400 square feet within Building G, at
1795 Industrial Drive) from the premises in order to achieve rent savings; and,

NOW THEREFORE, BE IT RESOLVED, that the Placer County Board of Supervisors does
hereby authorize the Director of Facility Services, or his designee, to: complete negotiations for
a Lease Amendment, between the County of Placer and Cagle Properties, LLC., a California
limited liability corporation, based on the Material Terms attached hereto; execute the Lease
Amendment on behalf of your Board subject to approval of County Counsel and Risk
Management; and, authorize the Director of Facility Services to carry out on behalf of the
County the responsibilities and provisions as specified within the Lease Agreement, including,
but not limited to the Future Tenant Improvement provision.

RESOLUTION ATTACHMENT: EXHIBIT A - MATERIAL TERMS OF LEASE AMENDMENT

EXHIBIT A – MATERIAL TERMS OF LEASE AMENDMENT NO. 1

The following summarizes the key terms and conditions which the Parties agree will be incorporated as the material terms of a proposed Lease Amendment No.1 between the County of Placer and Cagle Properties, LLC., a California limited liability corporation:

1. **Parties:** The Parties are the County of Placer, a political subdivision of the State of California (County) and Cagle Properties, LLC., a California limited liability (Landlord).
2. **Premises:** Upon execution of the Amendment, the Premises will be comprised of 6,000 square feet of warehouse space located in Units 2, 3, and 4 of Building G, at 1765-1785 Industrial Drive, in Auburn, CA.
3. **Term:** The Amendment extends the initial Term one year beyond the current expiration date of April 30, 2012. This modification results in a six (6) year initial Term, commencing on May 1, 2007 and ending on April 30, 2013.
4. **Option to Extend the Term:** The Amendment restructures the County's options from two (2) successive five (5)-year options, to ten (10) successive one (1)-year options, which are exercisable by County.
5. **Monthly Rent:** For lease years 5 and 6 (May 1, 2011 – April 30, 2013), the Monthly Rent shall be \$3,480 per month. Should the County exercise any of the first three one (1)-year option terms, the Monthly Rent shall remain fixed at \$3,480 during those option terms. Thereafter, the Monthly Rent will be subject to annual adjustment based on the Consumer Price Index. Landlord will apply a \$1,500 rent credit to the first month of lease year 5 (May 2011) as reimbursement for County's moving expenses.
6. **Building Operating Cost:** County shall pay as Additional Rent the County's proportionate share of Building Operating Costs associated with Building G. Monthly Operating Costs for the 2011 calendar year shall commence at a rate of \$0.07 per square foot per month, equaling \$420 per month. Said Operating Costs shall be adjusted annually at the end of each calendar year.
7. **Alterations and Fixtures:** Landlord may perform minor alterations to the Premises on County's behalf so long as such alterations are not considered tenant improvements. The scope of any single minor alteration project shall not exceed \$9,500. Following performance of the work, Landlord shall bill County as Additional Rent for the agreed upon cost.
8. **Authority of Director:** The Director of the Department of Facility Services, or his designee, shall administer the Lease on behalf of County.
9. **County's Temporary Occupancy:** To facilitate the County's relinquishment of Unit 5 in Building G at 1795 Industrial Drive by April 30, 2011, the Landlord authorizes the County's continued use of this Unit at no cost. Landlord also authorizes County use of Unit 10 in Building F at 1825 Industrial Drive at no additional cost to the County. This use of Unit 10 shall commence upon the County's execution of the Amendment and extend until June 30, 2011.

